



# Model Highway Initiative





## Contents

IRU Model Highway Initiative in Brief	4
Reviving the Great Silk Road – an Imperative Challenge for the International Community	5
IRU New Eurasian Land Transport Initiative: Facts ...	6
... and Compelling Figures	7
Current Eurasian Road Transport Infrastructure is Sufficient!	8
IRU Model Highway Initiative (MHI)	10
Involving Businesses in Developing Ancillary Infrastructure	12
Implementation of Institutional Reforms and Best International Practices to Facilitate Border Crossing along Model Highways	13
Financing Model Highway Initiative	14
Basic Criteria for a Model Highway Section	15
Multilateral Cooperation and Respective Responsibilities	16
Project Time Frame	18
What's Next?	19



The International Road Transport Union (IRU) has initiated a broad range of activities aimed at developing trade and road transport between Central Asia and Europe, in line with the UN Millennium Development Goals and the Almaty Action Plan by assisting Eurasian landlocked countries' economies to benefit from globalisation by gaining access to the major world markets, as no country is landlocked for road transport.

The IRU has organised five conferences and parallel ministerial meetings in Irkutsk (2001), Tehran (2003), Beijing (2005), Warsaw (2007) and Almaty (2009) dedicated to facilitating and enhancing Euro-Asian trade and road transport. The next in this series will take place in Tbilisi, Georgia, in June 2011.

Furthermore, IRU truck caravans, which travelled the routes of the ancient Silk Road, serve as compelling evidence that the road infrastructure required for road transport haulage from China to Europe is already available, and that there are no such impediments to road haulage. Rather the identified barriers to trade and transport growth are the time and money lost due to inappropriate border-crossing procedures.

The IRU's New Eurasian Land Transport Initiative (NELTI), launched in September 2008 to run regular commercial freight deliveries from Central Asian countries to Europe, has proven that reopening the Silk Road to trade by road transport constitutes a viable, cost-effective alternative to traditional, increasingly saturated maritime trading routes.

Indeed, while monitoring the various impediments encountered, based on UNESCAP methodology for collecting such data, the IRU's NELTI has shown a high competitive potential for the development of the NELTI northern, central and southern routes. However, the data has also highlighted that 40% of road transport time along the routes of the Silk Road is lost at borders due to inappropriate border crossing procedures which impede trade growth along the entire Eurasian landmass. In addition, approximately 30% of the transport costs were due to unofficial payments, borne by the hauliers en route and at border crossing points.

To tackle these impediments to growth and progress identified by the IRU's NELTI, the IRU's new Model Highway Initiative is presented in this booklet as the logical follow-up to the IRU's wide breadth of activities targeting the development of Eurasian trade and road transport. The Model Highway Initiative will operate through international investment mechanisms and dovetail the facilitation of transit transport as well as the development of road infrastructure with the national government commitments to improve border crossing procedures. This is expected to be the necessary catalyst to effectively facilitate and enhance trade and road transport across land-locked Central Asian countries. This will greatly benefit national economies by assisting the creation of jobs and wealth through the development of small and medium-size businesses.

The globalisation of the world's economy sets global challenges and opportunities that can only be met and realised by implementing the IRU's motto "Working together for a better future". The IRU Model Highway Initiative is a global project that has already won the support of several intergovernmental organisations and national governments. The IRU together with its global network of national Member Associations are willing to pool their efforts with all those who support the ambitious aims of the IRU's Model Highway Initiative. The IRU is certain that the Model Highway Initiative is a cost-efficient instrument for developing Eurasian trade and road transport, driving progress, prosperity and ultimately peace along the ancient Silk Road!

Join us!

**Martin Marmy,**  
**IRU Secretary General**

## IRU Model Highway Initiative in Brief

The IRU Model Highway is meant to be an exemplary road section, designed and built jointly by national governments, international financial institutions, international organisations and the business community to demonstrate the economic potential and attractiveness of the reopened Silk Road.

The length of a model highway section may range from 800 to 1,000 km.

The IRU Model Highway Initiative stakeholders will include national governments, international financial institutions, international organisations and businesses.

The IRU Model Highway Initiative is to be carried out in a public-private partnership.

The IRU Model Highway Initiative comprises:

- international investments in the ancillary road infrastructure (modern petrol stations, motels, safe parking lots, etc.);
- harmonised customs procedures in line with international conventions and best practices;
- road transport border crossing points meeting state-of-the-art procedural, infrastructural and technical requirements.

The IRU Model Highway Initiative outputs are:

- development of small and medium-size companies in areas currently deprived of economic activity;
- thousands of new jobs throughout the Eurasian landmass;
- development of national economies along the Model Highway;
- fight against corruption, especially at borders and road side checks;
- faster, hence cheaper freight deliveries between Asia and Europe.

The IRU MHI already enjoys the support of the following international financial institutions:

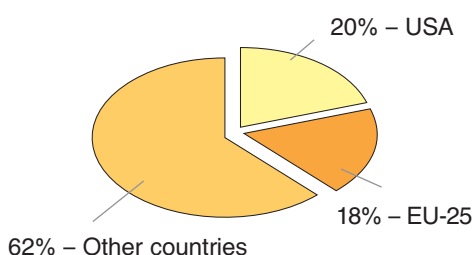
- World Bank,
- Asian Development Bank,
- European Reconstruction and Development Bank,

as well as the World Customs Organisation, and such national agencies as Ministry of Regional Development and Infrastructure of Georgia, Ministry of Transport and Communications of the Republic of Kazakhstan, Ministry of Transport and Communications of the Republic of Tajikistan and Ministry of Transport and Communications of Ukraine.

## Reviving the Great Silk Road – an Imperative Challenge for the International Community

The revitalisation of the Silk Road has become a highly topical and imperative issue, requiring sustained, concerted action by the international community, as a key driver for realising the UN Millennium Goals, in particular with regards to poverty alleviation.

In parallel, the rapid development of the economic and export potential of the People's Republic of China has become one of the key factors emphasising the urgent need to revitalise the Silk Road as an alternative to increasingly saturated traditional maritime trading routes.



*Fig.1 Structure of China's export in 2009*

The United Nations has undertaken significant efforts to revitalise the Silk Road over the last decade, notably through its Special Programme for the Economies of Central Asia (SPECA) and Almaty Action Programmes to provide landlocked and transit countries with access to global markets, as well as its European (UNECE) and Asian (UNESCAP) regional branches' "Joint Project on Developing Euro-Asian Transport Linkages".

The Organisation for Security and Cooperation in Europe (OSCE) focuses on best practices of border crossing governance and fighting corruption in Central Asian states.

The European Union since 1993 is actively implementing Transport Corridor Europe-Caucasus-Asia Programme (TRACECA) aimed at facilitation of transport and trade from Asia to Europe via Caucasus.

The Asian Development Bank in the framework of Central Asian Regional Economic Cooperation Programme (CAREC) focuses on road infrastructure and border crossing procedures in Central Asia Region.

The IRU's New Eurasian Land Transport Initiative (NELTI), which was launched in 2008, has made a considerable contribution to the practical revitalisation of the Silk Road by effectively demonstrating that haulage between Asia and Europe is viable, safe and, cost-efficient, and that no country is landlocked for road transport which, as is the only mode of transport capable of interconnecting all the businesses of the region to all major world markets, allows the economies of landlocked countries to reap the full benefits of globalisation, hence driving progress and prosperity.

## IRU New Eurasian Land Transport Initiative: Facts ...

The aim of the IRU NELTI Project was to instigate regular road freight shipments between Europe and China, monitor these transport operations and analyse the results in order to assist Central Asian and Caucasus countries realise their full trade and road transport potential. The Project likewise aimed to increase the volumes of road transport operations and services that these countries could offer, while raising political and business awareness of the feasibility of and demand for such road transport operations.

In the framework of the IRU NELTI Project, shipments have been undertaken by companies from 8 countries along three principal routes: Northern, Central and Southern.



Fig.2 NELTI's Routes



## ... and Compelling Figures

Data from the IRU NELTI pilot project revealed that downtime at border-crossings accounts for up to 40% of all vehicle journey time, while corruption makes up as much as 30% of freight haulage costs.

Removing these significant impediments to trade growth would dramatically reduce shipping times and costs, making road haulage between Europe and Asia even more competitive and hence increasing the opportunities for Central Asian states to enhance their economic development and prosperity.

The IRU NELTI Project also allowed collecting data, which confirm the commercial viability of road shipments between Asia and Europe, including the levels of freight costs (approximately \$4,000 – \$5,000 each way, depending on the route), the structure of these freight costs, the principal problems to overcome, etc.

Most importantly, the huge delays at border crossing points dramatically limit the average speed of vehicles travelling from Europe to Asia to a mere 17.5 km/h.

Factor	Actual value
Total sum of official dues and payments, excluding fuel costs and drivers' board and lodging (US \$'000)	167.2
Total sum of unwarranted levies, bribes and extortion paid out by drivers (US \$'000)	143.7
Drivers' working time ('000 hours)	60.5
Time of vehicle en route (days)	4167
Number of stops (more than 15 minutes) en route	5917
Number of border crossings	1084
Length of halts en route (days)	1880

## Current Eurasian Road Transport Infrastructure is Sufficient!



*We are pleased to learn of the various activities that the IRU is undertaking to analyze and help address the issues associated with transport and trade facilitation in the Central Asian region. We would be happy to discuss further with you possible areas of future collaboration between two our institutions in the context of the ADB-assisted Central Asia Regional Economic Cooperation (CAREC) Program."*

**Werner Liepach**  
Deputy Director  
General  
Central and West Asia  
Department

The Asian  
Development Bank

There are more than 30,000 km of main roads connecting China and Europe, running through the Caucasus and Central Asia. In the late 1990s, large-scale road infrastructure investments were made throughout the region while a system of trunk roads was being developed in North-Western China. According to data collected by the Asian Development Bank, projects to construct and modernise 24,000 km of roads are currently being undertaken in eight states by the region (including Azerbaijan and the Xingjian-Uyghur Autonomous Region of China).

Major financial institutions – such as the World Bank (WB), the Asian Development Bank (ADB), the Islamic Development Bank (IDB) and the European Bank for Reconstruction and Development (EBRD) – are contributing to this process. As a result, there is today a network of modern roads capable of handling considerably greater volumes of commercial traffic, both within the region and along routes between Asia and Europe.

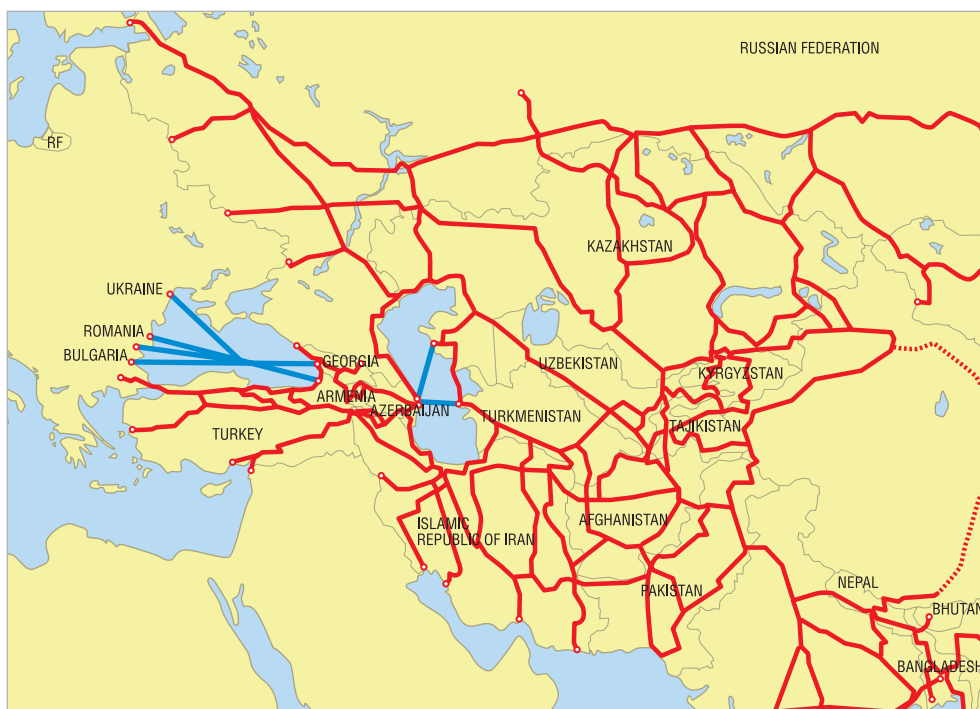
However, the volume of road haulage along the majority of these main routes remains very low, thus the existing infrastructure is highly underutilised.

Since the 1990s, many attempts have been made to stimulate the expansion of international road haulage in Central Asia and ease border crossing procedures, under the aegis of various international



projects and technical assistance programmes, led by – inter alia – the UN (SPECA), the EU (TRACECA) and USAID. However, a lack of co-ordination, reliance on diplomatic channels and a general failure to co-operate and find common ground with the business community remain some of the key reasons why the main impediments to enhanced trade and road transport have not been removed.

Indeed, to date, no programme has been developed and implemented to provide Central Asian governments with the incentives necessary to implement the required measures and reforms to facilitate international trade and road transport at border crossings, despite the comprehensive road network already in place.



*Fig.3 Asian Highway Net*

## IRU Model Highway Initiative (MHI)



*Thank you for  
your letter*

*...which provides  
details of the Model  
Highway Initiative being  
developed by the IRU.*

*... The EBRD could  
support this initiative and  
would be willing to  
consider feasible  
investment proposals  
including equipment for  
border crossing and  
development of fuel  
stations and other road  
side facilities, provided  
that any contracts are  
open tenders in a fair  
and transparent  
manner."*

**Thomas Maier**  
Managing Director  
Infrastructure

**European Bank  
for Reconstruction and  
Development**

The relatively low success rate of international organisations and financial institutions' attempts to revitalise the Silk Road over the last two decades prompts the need for a fresh look at the key factors which need to be assessed and measures to be implemented to achieve the common objective – facilitating trade and road transport in the region of the ancient Silk Road.

The comprehensive appraisal of the situation, particularly in light of the findings of the IRU NELTI project, has led to the formulation of the IRU's Model Highway Initiative (MHI). This concept is based on the need to take the following three fundamental actions to effectively revitalise the Silk Road:

1. Develop the ancillary infrastructure along main road arteries, to enhance the attractiveness of international highways for increased trade and cargo haulage while improving work and rest / leisure conditions for drivers;
2. Implement institutional reforms in the transit states to facilitate trade and international road transport to streamline Customs procedures by harmonising and simplifying border crossing procedures and introducing state-of-the-art practices and technologies at border crossing and Customs posts, which have proved effective in other parts of the world.
3. Create a multilateral financial mechanism to have the financing required to develop the necessary ancillary infrastructure coincide with the implementation of these essential reforms.



*...I am very pleased to know that the IRU has a firm commitment to work in close collaboration with the World Bank to expedite the sustainable development of land transport linking Europe and Asia through Central Asia...*

*The experience of the IRU and other international organisations will be of particular importance in this respect...*

*Let me express our sincere interest in further collaboration with the IRU and other organisations ... We look forward to continued exchange on this very important topic that is of great interest to both of our institutions."*

**Philippe Le Houerou**

Vice President

Europe and Central Asia Region

The World Bank



*...I would like to confirm the BSTDB support to the IRU efforts in promoting the regional cooperation in this area and the Bank's interest in considering the MHI in terms of possible involvement in the project in cooperation with other IFIs."*

**Andrey Kondakov**

President

Black Sea Trade and Development Bank



## Involving Businesses in Developing Ancillary Infrastructure

« I was most pleased to hear your presentation on the Model Highway initiative (MHI)...

*The WCO could support the establishment of the Customs infrastructure envisaged in MHI through our Columbus programme to Members of the sub region, as the Customs related aspects of the initiative fully comply with the key principles of the WCO Capacity Building Strategy. "*

**Kunio Mikuriya**  
Secretary General

World Customs  
Organisation

Ancillary infrastructure can be defined as standard facilities situated along roads and aimed at supplying drivers with water, food and bare necessities, as well as providing overnight accommodation, refuelling and timely technical maintenance for vehicles as well as safe parking areas.

In addition, vehicular border crossing points also make up part of ancillary infrastructure as they include special parking places and separate lanes for vehicles, convenient connections with trunk roads, etc.

The development of ancillary infrastructure should include:

- The modernisation of border crossing points by equipping them with modern inspection technologies and proper parking places for vehicles;
- The construction of warehousing and logistics facilities at economically strategic locations;
- The expansion of the network of refuelling stations;
- The creation of a network of parking facilities, which would provide convenient and safe (secure) parking places for international haulage vehicles, technical maintenance facilities and retail outlets for spare parts and convenience goods;
- The expansion of a network of hotels and motels along the route to cover driver rest periods.

## Implementation of Institutional Reforms and Best International Practices to Facilitate Border Crossing along Model Highways

Facilitating trade and road transport by streamlining border crossing procedures will require the implementation of institutional reforms in all countries located along the Silk Road. These should include:

- The liberalisation of international road haulage, by providing freedom of transit and abolishing quotas for international road haulage permits;
- The ratification and effective implementation of international agreements and conventions, in particular the UN International Convention on the Harmonisation of Frontier Controls of Goods designed to facilitate trade and international road haulage by harmonising and simplifying border crossing procedures thereby bringing national legislation and the legal framework into line with their provisions;
- The implementation of an anti-corruption action plan at border crossings;
- The introduction of best available practices and technologies in Customs and border crossing procedures (TIR green lanes, TIR electronic pre-declaration, "single window" principle, etc.) would be aimed at further facilitating trade and international road haulage.



*...The IRU's Model Highway Initiative supported*

*by several TRACECA countries may become one of the pilot projects in the region, and our cooperation may prove crucial in achieving this goal.*

*On the whole, the IRU Model Highway Initiative does not contradict the goals and objectives of the ITC TRACECA, and it may be introduced in the countries that are interested in its implementation. We, for our part, are prepared to support your efforts in every possible way..."*

**Zhantoro Satybaldiyev**  
Secretary General

**TRACECA**  
Intergovernmental  
Commission



« The Ministry expresses its willingness to support the application of the Model Highway Initiative in the territory of Kazakhstan along the international road transport corridor between Western Europe and Western China. »

**Azat Bekturov**  
Deputy Minister of  
Transport and  
Communications

Transport and  
Communications  
Ministry of the Republic  
of Kazakhstan

## Financing Model Highway Initiative

International Financial institutions, in cooperation with interested international organisations and national governments, should develop appropriate mechanisms to:

- allocate funds for MHI infrastructure projects;
- provide national governments with incentives to implement conditional administrative reforms to obtain MHI infrastructure funding;
- include the introduction of an "ancillary MHI infrastructure clause" into long-term credit lines for road infrastructure projects;
- offer, in conjunction with the authorities of transit states, targeted commercial loans for the development of ancillary infrastructure facilities by the private sector.

Estimates show that two sections of the Model Highway, of approximately 800 to 1,000 km each, would need an initial investment of US\$ 800-900 million to build ancillary infrastructure.

These funds could be provided by major international financial institutions and regional development banks, under the aegis of the World Bank.





## Basic Criteria for a Model Highway Section

The model highway will be a chosen section (two-three stretches) of an internationally rated trunk road of 800-1,000 kilometres in length, crossing the territories of several Eurasian transit countries, and of strategic importance for interconnecting and promoting Eurasian trade by road to major world markets.

A model highway should meet three basic criteria:

- to cross the territory of at least three Eurasian states (ideally including 2-3 border crossing posts);
- to be part of a main road transport artery with high growth potential for international trade and road transport;
- to be included in the priority list for road infrastructure compiled by international organisations (primarily CAREC corridors, TRACECA transport corridors and routes defined by the joint UNECE-UNESCAP project to improve Eurasian transport links).

In the framework of the MHI, governments should commit not only to contributing to the project realisation, but also to implement the necessary reforms to streamline border crossing procedures and to fight corruption.

These reforms must be linked to the effective implementation of UN multilateral trade and road transport facilitation agreements and conventions in conjunction with neighbouring countries.



*A development of special interest is the Model*

*Highway Initiative launched within the IRU's New Eurasian Land Transport Initiative (NELTI). The MHI can accelerate solution of the issues crucially important for Ukraine, that is, organization of transit haulage in accordance with international standards along the line Western Europe – Central Asia and China. Ukraine's Transport and Communications Ministry is prepared to participate most effectively in launching the Model Highway project."*

**Konstantin Yefimenko**  
Transport and  
Communications Minister

Transport and  
Communications  
Ministry of Ukraine

## Multilateral Cooperation and Respective Responsibilities

The only effective and efficient means to implement the MHI is through a Public-Private Partnership in order to allow the various interests of the many participants to be considered and coordinated to rationally distribute the tasks and duties of all the parties involved.

To achieve the objectives of the MHI a coordinated effort will be required from the following parties:

National governments should provide legislative and administrative support for the implementation of the MHI, and in particular:

1. implement institutional reforms including the effective implementation of all relevant UN multilateral facilitation instruments and making all consequent amendments to their national legislation and regulatory framework, as well as the required changes to the relevant public bodies and authorities;
2. implement measures to facilitate border crossing procedures;
3. introduce best border crossing practices identified;
4. introduce business incentives for the development of ancillary infrastructure along the Silk Road.

In addition, governments will have to guarantee the most favourable conditions to MHI-related projects in terms of taxation, applicable financial regulations, import duties, etc.

International financial institutions should take steps to:

1. establish an international financial mechanism aimed at developing the ancillary infrastructure along the model highway;
2. define specific conditions and procedures for the selection and funding of projects;
3. provide incentives (and conclude contracts with) to national governments regarding the conditions for extending loans/grants based on political commitments to facilitate trade and international road haulage by harmonising and simplifying border crossing procedures.

International professional organisations will need to:

1. provide expert assessments of requirements for groups of ancillary infrastructure facilities and improvements along sections of a model highway;
2. secure support for the MHI at governmental level in transit countries;
3. obtain further support for the MHI from international organisations and intergovernmental bodies for regional economic integration;
4. help the coordination of businesses participating in the MHI, through the establishment of a consortium for interested companies.

Local businesses and interested trans-national companies will act as the main contractors for the construction and/or operation of the required infrastructure (construction industry, hotel chains, major oil companies, IT companies, main road transport vehicle and parts manufacturers, insurance companies, management consulting firms, etc).

« Tajikistan is highly interested in the IRU new important international initiative – creation of Model Highway. Its realization allows accelerate solution of strategically important issues for our state concerning organization of transit transport to Central Asia region based on the internationally standards. Accordingly, the Republic of Tajikistan hopes for an active participation in all related procedures of the project including development stage and realization. »

**Olimdjon Boboev,**  
Minister of Transport and Communications

Ministry of Transport and Communications of the Republic of Tajikistan

« In reply to your letter... we would like to inform you that the Ministry of Regional Development and Infrastructure of Georgia has considered the new "Model Highway Initiative" (MHI) project elaborated by the International Road Transport Union (IRU) aimed at the development of international road transport, in particular, between Europe and Asia. The Ministry welcomes the project that will demonstrate great potential of road transport growth in the Europe – Caucasus – Asia region after realization of certain activities and supports the idea of its implementation. »

**Lasha Gotsiridze**  
Deputy Minister

Ministry of Regional  
Development and  
Infrastructure of Georgia

## Project Time Frame

With the endorsement of IRU's MHI by key international actors and governments of transit states before the end of 2010, the first concrete outcomes could be expected as early as 2013.

A feasibility study will be conducted, to provide data on the number and location of existing and most needed ancillary infrastructure sites, which would allow construction works to start.

In the meantime, agreements can be negotiated and signed between governments of the transit states, financial institutions and the business community, as required allowing construction to begin.



## What's Next?

The International Road Transport Union first announced its Model Highway Initiative (MHI) at the annual meeting of the Asian Development Bank in May 2010 in Tashkent. Since this announcement, the importance and viability of the project has become obvious.

Now that support has been expressed by national structures concerned, further steps towards implementing the Model Highway project can now proceed.

**Step 1:** Governments of the interested countries should submit their proposals for (identifying) Model Highway sections before mid-2011.

**Step 2:** The next step should be the creation of a MHI Coordinating Committee composed of representatives of international financial institutions, international organisations, government agencies and the business community. The committee's mission will be to coordinate activities to implement the MHI project, including the interaction of all stakeholders.

**Step 3:** Each identified section of the Model Highway must be subject to a feasibility study, which will serve as the basis for drawing up a list of concrete commercial projects and for preparing, in conjunction with the governments of participating countries, proposals for implementing the projects.



*The American Chamber of Commerce in Uzbekistan strongly supports the IRU's Model Highway Initiative and encourages its support and approval.*

*It is an excellent project that should clearly demonstrate the benefit of modern, efficient road transportation where governments and private business are joined in creating condition for higher rates of growth and economic development."*

**Donald Nickolson II**  
President

**American Chamber  
of Commerce in  
Uzbekistan**

Step 4: The core of the effort is the design and implementation, in the countries involved, of national administrative reforms aimed at facilitating border crossing procedures, removing administrative barriers in international road transport operations, etc., all of which will be a necessary condition for the implementation of the entire project.

Step 5: An international financial mechanism must be set up by financial and credit institutions that have a stake in the implementation of the MHI project.

The large scale of the above mentioned measures implies a great deal of strenuous work by all stakeholders. If all goes according to the schedule outlined above, that is before the end of 2011, the project's practical implementation may then be started in 2012.

The revival of the Great Silk Road is a colossal and far reaching project of the 21st century. To turn it into reality, all stakeholder countries must pool their efforts to allow the caravan tracks that used to link Asia and Europe to become, thanks to road transport, a new powerful trade route of the 21st century, interconnecting all businesses along the Silk Road between themselves and to major world markets, thus bringing economic growth, progress, prosperity and ultimately peace to the entire Eurasian landmass.

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*Working together  
for a better future*



*s i n c e 1 9 4 8*

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